

## Special Analysis

### NAMIBIA:

#### Economic, Political Hurdles to Independence

*If US-brokered talks between South Africa, Angola, and Cuba produce an agreement on a Cuban troop withdrawal from Angola, Pretoria is to begin implementing the UN plan for Namibian Independence on 1 November. In such a transition, Namibia will face many political and economic hurdles, and insurgents of the South-West Africa People's Organization (SWAPO) who are likely to win power will face pressures to come to terms with the local white community and with South Africa.* [REDACTED]

Namibia is virtually an appendage of South Africa, dependent on South African financial and commercial ties, transportation links, and budget subsidies. Its economy has a subsistence sector that exists alongside a modern industrialized one run by whites. Namibia's white community numbers about 68,000, almost half of whom are South African Afrikaners and other expatriates. Its total population is about 1.3 million. [REDACTED]

Namibia has been administered since 1985 by the multiracial Transitional Government of National Unity, but Pretoria calls the political shots on the territory's future. South African President Botha nonetheless faces difficulties in keeping Namibian politicians in line and in selling Namibian independence to rightwing critics at home. [REDACTED]

#### Economic and Political Questions

It is not clear who will support an independent Namibia economically. Pretoria has said that it expects the West or the UN to prop up the Namibian budget—and Namibia's external debt of at least \$500 million, owed mostly to South African banks. Pretoria has asked for foreign guarantees that an independent Namibia will not default on these loans raised to finance budget deficits. Pretoria also expects the international community to bear the cost of implementing UN Resolution 435, which it estimates will run close to \$750 million. [REDACTED]

The composition of Namibia's independence government is another major uncertainty. Most observers, including senior South African officials, believe SWAPO would win UN-sponsored elections, primarily because it enjoys majority support among the Ovambos, the largest ethnic group in Namibia. The fractious interim government installed by South Africa has waged an uphill battle for legitimacy since its inception and would have a hard time seriously challenging SWAPO.

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One official of the interim government asked the US recently to arrange bilateral talks with SWAPO, probably to acquire information on the group's economic and political goals before the independence process begins. [REDACTED]

### **Pressures for Accommodation**

Both SWAPO and Namibian politicians undoubtedly hope to avoid losing vital economic, technical, and human resources in a mass exodus of whites and white-owned businesses. As prospects for independence—and for a SWAPO-led government—increased, domestic business confidence will diminish. When UN Resolution 435 was passed in 1978, nearly a fourth of the white community left Namibia, taking with them capital resources and essential skills. [REDACTED]

Some wealthy whites reportedly are already selling their homes and liquidating other assets. SWAPO President Nujoma, in an effort to allay fears, has said that SWAPO would be willing to cooperate economically with Pretoria, and another official has suggested that it would be naïve for an independent Namibian government to cut ties to South Africa. [REDACTED]

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## South Africa's Economic Stranglehold

Namibia's economy is based almost exclusively on mining, livestock farming, and fishing. Exports account for 62 percent of GDP, and Namibia has little manufacturing base to process its raw materials. Profits are easily transferred to South Africa because the rand is Namibia's legal currency and exchange controls are lax.

Namibia's rail network connects only to South Africa, and its roads offer few links to neighboring Botswana, Zambia, or Angola. Pretoria manages all of Namibia's rail, road, and harbor facilities, although in July it transferred responsibility for providing services to the government in Windhoek. South Africa provides 80 percent of Namibia's imports, and two-thirds of Namibia's exports go through South African ports—including Walvis Bay, Namibia's only deepwater port, which Pretoria claims is South African territory and is unlikely to relinquish at independence.

An upturn in commodity prices, particularly diamonds, and an end to a six-year drought have revived the economy. Real GDP increased 2.5 percent in 1987 and may match that growth this year. Nonetheless, prospects for sustained economic growth remain fragile and depend on generally unfavorable external factors, including volatile international commodity prices and declining export markets.

South Africa provides more than a third of Namibia's budget, either directly through appropriations by the South African parliament or indirectly through revenues generated by the South African Customs Union and loans raised through South African banks. The total of direct and indirect South African subsidies has run between \$400 million and \$600 million annually, but during the past two years Pretoria has cut its funding to \$175 million to punish the interim government for attempting to introduce racial reforms.

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